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625 a general committee with the sub-station chief as its chairman. The sub-station consists of a chief, deputy chiefs, and several policemen, assigned to maintain public order and enforce decrees pertaining to it. These functions include the enforcement of laws on public security, the suppression of sabotage, the prevention of bandit activities, the surveillance of counterrevolutionaries, census-taking, and the supervision of the security committees.

Security in factory, business enterprises, and other industrial organizations is the concern of committees established in each of these organizations. These committees are expected to supervise every phase of industrial production and labor discipline.

625 The establishment of regulations governing
656 the conduct of business in the Southwest enables the Party to maintain control over all activities. For example, the regulation controlling the supply and sale of radio and electrical appliances²⁵ requires each electrical shop to secure a permit from the security agency before requesting a license from the local Department of Industry. A monthly report of sales and a monthly inventory also are required. Failure to report suspicious

25. People's Daily, July 26, 1955, p. 3.

625 patrons to the security agency is a punishable
656 offense. Equally rigid regulations govern
the ownership and use of firearms.²⁶ Regula-
tions governing the operation of hotels, ware-
houses, and recreational facilities also are
extremely stringent.²⁷ Owners first must
have permits from public security agencies.
The procedure regulating the issuance of
permits requires the submission of the
personal history of the owner, complete
information concerning others involved in the
business, and a diagram of the geographic
location of the shop or office. Hotels must
make daily reports upon their guests, and
recreational centers are subject to inspection
at any time.

B. Police

625 The police should be distinguished from
the security forces, which are a component of
the Chinese People's Liberation Army.
Effective August 1955, as a result of a State
Council order, security forces at the level of
the administrative district were organized into
an armed police force.²⁸

26. Chieh-fang Jih-pao [Liberation Daily],
Shanghai, June 29, 1951, p. 5.

27. Ibid., May 1951, p. 2.

28. The only Communist report on security
forces appeared in People's Daily, Aug. 11, 1953,
p. 1; Text of the State Council order, ibid., July
31, 1955.

475 products of supply and marketing co-operatives on a commission basis. Private merchants purchase commodities from state trading companies at wholesale prices and resell them to consumers at retail prices fixed by the state. Joint state-private ownership has replaced private-capitalist ownership, and the state invests capital in trading firms under joint management. Throughout China approximately 200,000 private wholesale merchants and 2,000,000 retail traders had been forced to accept "socialist transformation" by the end of 1953. By early 1955, almost 100 per cent of the wholesale merchants dealing in grain, lumber, edible oil, and salt accepted the change to the "state-capitalism" arrangement.⁹¹

D. Private Companies

472 Private traders and individual merchants,
656 too, have been led on the road of state-capitalism. As a result of the growing monopoly of state-owned companies, private wholesale dealers have either been

91. Kung-shang-chieh [Industry and Commerce] Peking, Aug. 10, 1955, p. 17.

472 squeezed out of business or transformed into
656 retail traders acting as agents of state
trading companies. They are compelled to
accept "socialist transformation."

After the "planned purchase and supply of grains" was introduced, nearly all of the retail dealers in grain were "transformed" into agents of the state grain markets. By the first half of 1955, over 33 per cent of the retail traders in China were acting as agents for state trading companies or co-operatives.⁹² According to Communist plans, the total volume of private retail trade will be decreased from 65.9 per cent of the total retail trade in 1953 to 45.1 per cent in 1957.⁹³

VI. FOOD RATIONING AND GRAIN TRADE

434 Rationing was first applied to food grain on November 19, 1953, in accordance with a government order for the enforcement of "planned purchase and planned supply of grains," designed to control the distribution of food during the period of reconstruction.

92. Industry and Commerce, Peking, Aug. 10, 1955, No. 8, pp. 17.

93. Ibid., p. 18.